

May 17, 2005

Robert Dewees, Jr.  
Nixon Peabody, LLP  
100 Summer Street  
Boston, MA 02110-2131

RE: Bay State Gas Company, DTE 05-27

Dear Rob:

As you know, the Attorney General has intervened in the Company's rate case and issued his first and second sets of discovery on May 6, 2005. Last week I sent an e-mail asking when the Company plans to respond to this discovery, but received no answer. When I placed a follow-up call to your office last week and again yesterday, you indicated that the Company would not commit to when it would start responding to the Attorney General's discovery, but only noted that answers would be made sometime in the future. In a rate case, the Department requires responses to discovery within 10 days. *KeySpan Energy Delivery*, D.T.E. 03-40 (2003) Ground Rules, May 23, 2003. Answers to the Attorney General's first and second set are now due under the this timetable, but the Company has not provided any responses.

The need for a prompt turnaround is obvious from the complexity of this rate case. The Company has sponsored nine witnesses (in contrast to the KeySpan rate case, a much larger company that had eight company witnesses) and seeks approval of more than \$300 million for steel facilities replacement before those improvements are placed into service.<sup>1</sup> Since metals deteriorate at predictable rates given soil conditions and other knowable factors, the Company should not "suddenly" find itself with what it claims to be an uncontrollable pipe leak rate meriting a costly replacement program at customer expense -- especially at the expiration of a five year merger rate freeze when the Company had an obligation not to defer needed maintenance until after the freeze. The Attorney General has issued relevant and detailed discovery targeting the Company's past efforts properly to protect, monitor, repair and replace its existing pipe system. In order to move the these proceedings forward, and not add delay with needless motion practice, the Company should respond to sets AG-1 and AG-2 and all other discovery within the ten days normally required by the Department. The Attorney General reserves his rights to compel answers from the Company with a formal motion.

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<sup>1</sup> In order to ease the administrative burden on the Department and all Intervenors, the Attorney General has asked the Company to assent to a motion to bifurcate the proceeding to separate the base rate case from the pension mechanism, the steel replacement program and PBR mechanism. These issues could be easily addressed in a second phase of the case after cast off rates are set in the base rate proceeding. The Company has refused this offer to make the case less cumbersome, and also refuses to agree to a timetable for responding to discovery.

If the Company has any questions regarding the answers to the Attorney General's discovery requests, please feel free to contact me.

Sincerely,

Alexander J. Cochis  
Assistant Attorney General

cc: service list